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SUBJECT: LEADER OF SUGAR WORKERS UNION ENJOYS THE
SWEETNESS OF LIFE

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¶1. SUMMARY: Observers of Mexico,s organized labor sector and media commentators have both reviled and hailed, Enrique Ramos Rodriguez, the leader of the country,s largest sugar workers union. In many ways Ramos typifies everything average Mexicans most sharply criticize about their country,s labor leaders (such as unexplained wealth, no accountability, perpetual re-election, etc.). On the other hand, he recently negotiated the first major reform in the legal framework that establishes the relationship between sugar cane workers and sugar mill owners since 1936. The deal he brokered has significant flaws, not the least of which is that it openly ensures Ramos will continue to exploit, for personal gain, his union leadership position. Nevertheless, the deal commits the union to accepting a 25 percent cut in jobs industry-wide and commits mill owners to paying to upgrade worker skills. Overall, there is no question that the deal is much better for Ramos and Mexico,s sugar mill owners than it is for most sugar cane workers. At best the deal could be considered very much a glass half empty/glass half full kind of arrangement in that it preserves many of the average workers, more extravagant benefits. However, given the slow pace of any type of meaningful reform of Mexican labor unions, it could be argued that limited reform is better than no reform at all. This is the first of two reports on the current state of affairs within Mexico,s largest sugar cane workers union, the Workers Unions of the Mexican Sugar Industry (STIASRM). END SUMMARY.

A SWEET LIFE AT THE TOP

¶2. Labor leaders in Mexico are commonly thought of as being more interested in their own well being than they are in looking out for the welfare of the workers. One rarely finds average Mexicans willing to say anything good about the leaders of the country,s organized labor sector. This ill-will most definitely extends to Enrique Ramos Rodriguez, the Secretary General of Mexico,s largest sugar cane workers union, the Workers Unions of the Mexican Sugar Industry (STIASRM). Ramos has been the Secretary General of the STIASRM since 1995 and a leading figure in the union since roughly 1975. The STIASRM is a part of the Confederation of Mexican Workers (CTM), the country,s largest federation of labor unions, and Ramos serves on its National Executive

Committee; he is also the CTM,s Secretary General for the southeastern state of Veracruz. Like many labor federations in Mexico, the CTM is famous for perpetually re-electing union leaders. Once in union leadership positions, CTM officials seldom step down in life and Ramos appears to be doing his best to maintain this union tradition.

¶3. One of the advantages of being a de facto union leader for life is that you can get in on the ground floor of many arrangements. In the case of Enrique Ramos, he was a member of the STIASRM,s senior leadership in 1976 when the GOM expropriated 69 hectares (about 170.5 acres) of land belonging to one of the indigenous groups in the western state of Jalisco. This land was then transferred to the STIASRM. The union,s then Secretary General (now deceased) established a trust to manage the property for the benefit of the members of the sugar cane workers union and their families. When the trust was established, at the request of the STIASRM,s senior leadership, sugar mill owners across Mexico began deducting a small amount each week from the workers, union dues to develop the land as recreational property.

¶4. Once Enrique Ramos became the STIASRM Secretary General, he assumed responsibility for administering the land. In time two up-scale hotels were constructed on the property, the Blue Bay Village-Los Angles Locos and the Punta Serena. Initially the income from these hotels was used to cover any outstanding union financial obligations but at present, according to an attorney representing dissidents within the sugar cane workers union, all proceeds are deposited into bank accounts owned by Enrique Ramos. The first of these hotels, the Blue Bay Village-Los Angles Loco has 284 rooms, a lobby bar, restaurant, cafeteria, an auditorium, tennis

courts and a horse riding area. The other hotel, the Punta Serena, has an ocean view, a health spa with a steam room and sauna, a gym, tennis courts and a dock area for water sports. The average daily rate for these hotels is approximately USD 140.00; considerably more than the USD 37.50 a day earned by even the most highly paid sugar cane worker.

¶5. The recent revelation that the profits from these hotels is going into bank accounts owned by Ramos have prompted calls in some quarters for the GOM,s equivalent of the US Attorney General,s Office to launch an investigation into his management of union assets. In addition to controlling the income from the hotels Enrique Ramos is also said to either control or own outright two sports clubs, two sugar mills, two office building and 15 homes in Mexico City as well as an undetermined number of warehouses. An investigation of Ramos by the Mexican Attorney General,s Office, if it happens, should prove interesting as the STIASRM is reportedly the owner of the building that houses that GOM agency,s Mexico City Regional office (on the same street but several blocks away from Embassy Mexico City).

RAMOS NEGOTIATES A SIGNIFICANT NEW DEAL

¶6. On an individual basis labor relations between employers and employees in Mexico are governed by the country,s Federal Labor Law which establishes a base of permanent rules and regulations. On a broader level Mexico also has what it calls &Contract Laws8 which establish the rules for labor relations on an industry-wide basis. Contract Laws (CL) are a type of collective bargaining agreement negotiated by industry, union and government representatives. Since CLs are negotiated arrangements they are established for fixed periods of time and vary significantly from industry to

industry. CLs establish minimum standards that both employers and employees are expected to follow over and above the permanent guidance contained in Mexico,s Federal Labor Law. In theory CLs are periodically renegotiated like any collective bargaining agreement but in practice they contain any meaningful change. Until now, Mexico,s sugar industry has been operating on a CL that has not been significantly changed since 1936.

¶7. Observers of Mexico,s sugar industry have long pointed out that Mexican sugar is one of the expensive sugars in the world. Mexico,s sugar industry is often unfavorably compared to the sugar industry in Brazil. The average cost of producing sugar in Brazil is said to be approximately USD 15.00 per ton whereas the cost of producing that same ton of sugar in Mexico is put at approximately USD 40.00 per ton. Much of the blame for this substantial price difference is placed on the sugar industry,s Contract Law which artificially raises the price of producing sugar in Mexico over and above the cost of normal market factors. To the extent that the sugar industry CL is, in fact, responsible for the high cost of producing Mexican sugar, a chance now exists to implement a significant change.

¶8. Approximately nine months ago the STIASRM union, the sugar mill owners and the GOM (represented by the Secretariat of Labor) began an extended series of discussion to significantly change the sugar industry,s Contract Law. These discussions ultimately turned into serious negotiation and on August 29, 2007 the three sides reached agree on the terms of a major revision of the sugar industry,s Contract Law. A successful agreement could not have been possible without concessions and compromises on all sides but the one person with almost absolute veto power was Enrique Ramos Rodriguez. By most accounts Ramos took the negotiations seriously right from the start, and he made sure that if the union was being asked to accept genuine change then the mill owner would also have to acknowledge that they could no longer do business as usual. Ramos made real concessions but he obtained something real in return of the members of the sugar cane workers union. Alas, he also made sure to look out for number one.

A NEW CONTRACT LAW FOR MEXICO,S SUGAR INDUSTRY
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¶9. Under the terms of the sugar industry,s new CL, the STIASRM agreed to allow mill owners to permanently cut jobs by up to 25 percent. Depending on the source consulted this will translate into a reduction of somewhere between 7-10,000 jobs among unionized workers in the Mexico,s sugar industry. The union also agreed to the establishment of more flexible work hours (meaning mill owners can require work on Saturdays and Sundays), when needed the mill owners will now be allowed to hire non-union workers (outsourcing) and the union and mill owners agreed to implement a new wage scale based on worker productivity and not just seniority as it now the case.

¶10. In return the mill owners agreed to accept the union,s terms for the conditions of retirement of some 3,000 workers. This issue was supposedly resolved earlier this year (Reftel) but it came up again in the CL discussions. The mill owners also agreed to invest USD 1 billion over the next five years in plant modernization and to upgrade worker skills, particularly with regard to ensuring that workers are cross-trained to perform a variety of jobs; in addition the mill owners agreed to an across the board 4.5 percent wage increase for all STIASRM members and to continue the current practice of granting three months of paid vacation.

UNION LEADER GETS EXTRA HELPING OF SUGAR

¶11. In addition to practice of three months of paid vacation that Ramos was able to keep as a standard benefit for the workers, he also maintained an annual cash payment from the mill owners to the union of 50 million pesos (approximately USD 4.6 million). Supposedly these funds are to be used for the operation of a hospital for the exclusive use of STIASRM members. So far there is no firm evidence to document the existence of this hospital, nor is there any accounting of what is done with the money given by the mill owners to the union.

¶12. Finally, the new Contract Law allows Ramos to charge, on behalf of the STIASRM, a fee for all outside workers contracted by the mill owners. The fee established was 2.5 percent of the monthly wages of any non-union worker hired by the mill owners. At the currently anticipated wages for these workers, this would mean that if the mill owners ultimately filed 10,000 outsourced positions the union would receive 2-3 million pesos a month (approximately USD 278,000.00). Reportedly these funds would be used by the unions national executive committee for the benefit of the workers but since neither Mexican Federal Labor Law nor the Contract Law require unions or their leaders to account for the use of union funds there is no way to know if this money will in fact be used for its intended purpose.

COMMENT

¶13. Although (as yet) there is no court room quality evidence to definitively indicate that Enrique Ramos Rodriguez has abused his union leadership position for personal gain there are certainly a significant number of credible allegations. To date Ramos has done little to dispute these allegations, which further adds to the widespread speculation that he is just another corrupt labor leader looking out for himself. That said, Ramos has at least attempted to spread the wealth to a limited degree among the members of the sugar cane workers union. Moreover, Ramos has committed himself and the union to the first real changes in the sugar industry,s Contract Law since 1936. The changes are not perfect and there is much that could have been done. Nevertheless, the promise of work hour flexibility by the union and commitment to invest in both new plants and work skill upgrade creates a very real possibility that Mexico,s sugar industry may become more competitive. These changes are unlikely to put Mexico sugar production on a par with that of Brazil,s but they do appear to be steps

in the right direction.

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